Criticisms - Limited application - in practise sunk costs may be extremely high. Once established in an industry the high sunk costs, like specialist machinery, would make a firm very reluctant to pull out. Takeovers and Mergers may reduce long-run costs and create unachievable economies of scale for new entrants. The level of technology required to enter an industry may be high, Incumbents protect themselves with patents, the theory ignores aggressive actions of incumbents who may make it known to potential entrants that they will resist new entrants by limit pricing.